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PUBLIC DOCUMENT COUNT: 3
CONFORMED PERIOD OF REPORT: 20070331
FILED AS OF DATE: 20070731
DATE AS OF CHANGE: 20070731

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: AMARU INC
CENTRAL INDEX KEY: 0001139822
STANDARD INDUSTRIAL CLASSIFICATION: SERVICES-BUSINESS SERVICES, NEC [7389]
IRS NUMBER: 880490089
STATE OF INCORPORATION: NV
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 10-Q
SEC ACT: 1934 Act
SEC FILE NUMBER: 000-32695
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BUSINESS ADDRESS:
STREET 1: 120 NEWPORT CENTER DRIVE
STREET 2: SUITE 200
CITY: NEWPORT BEACH
STATE: CA
ZIP: 92660
BUSINESS PHONE: 9497606832

MAIL ADDRESS:
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STREET 2: SUITE 200
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Mark one:
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2007

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF

THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to _______

Commission File Number 000-50065

Amaru, Inc.

(Exact name of registrant as specified in its charter.)

| | |
|---|---|
| Nevada | 88-0490089 |
| (State of Incorporation) | (IRS Employer Identification No.) |

112 Middle Road, #08-01 Midland House, Singapore 188970

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (011)(65) 6332 9287

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]       No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 Of the Exchange Act.

Yes [ ]       No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | |
|---|---|
| Common Stock $0.001 par value | 154,098,528 shares |
| (Class) | (Outstanding at June 15,2007) |

<PAGE>

AMARU, INC. AND SUBSIDARIES
2007 Quarterly Report on Form 10-Q
Table of Contents

<PAGE>
<TABLE>
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AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | MARCH 31, 2007 | DECEMBER 3 2006 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 5,757,807 | $ 2,294,9 |
| Accounts receivable, net | 413,244 | 2,106,6 |
| Inventories | 1,617,962 | 1,689,6 |
| Other current assets | 526,470 | 539,6 |
| Total current assets | 8,315,483 | 6,630,8 |
| Non-current assets | | |
| Property and equipment, net | 1,266,620 | 1,215,7 |
| Intangible assets, net | 29,101,035 | 28,886,8 |
| Associate | 4,907,539 | |
| Investments available for sale | 11,805,405 | 12,158,3 |
| Total non-current assets | 47,080,599 | 42,260,9 |
| Total assets | $ 55,396,082 | $ 48,891,8 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 1,910,515 | $ 2,101,9 |
| Others payable | 105,784 | |
| Income taxes payable | 58,473 | 58,4 |
| Total current liabilities | 2,074,772 | 2,160,4 |
| Deferred tax liabilities | 2,138,646 | 1,684,1 |
| Total liabilities | 4,213,418 | 3,844,6 |
| Minority interest | 3,016,115 | |
| Commitments | -- | |
| Stockholders' equity | | |
| Preferred stock (par value $0.001) 5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively | -- | |
| Common stock (par value $0.001) 200,000,000 shares authorized; 154,098,528 and 153,638,528 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively | 154,098 | 153,6 |
| Additional paid-in capital | 39,190,666 | 38,942,1 |
| Subscribed common stock, 0 and 420,000 shares at March 31, 2007 and December 31, 2006 respectively | -- | 189,0 |
| Retained earnings | 2,915,158 | 2,084,9 |
| Accumulated other comprehensive income | 5,906,627 | 3,677,5 |
| Total stockholders' equity | 48,166,549 | 45,047,2 |

| | | |
|---|---|---|
| Total liabilities and stockholders' equity | $ 55,396,082 | $ 48,891,8 |

See accompanying notes to consolidated financial statements

F-2

<PAGE>

AMARU, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

| | FOR THE THREE MONTHS ENDED | |
|---|---|---|
| | MARCH 31, 2007 | MARCH 31, 2006 |
| Revenue: | | |
| Entertainment | $ 10,249 | $ 1,002,657 |
| Digit gaming | 5,476,826 | 5,873,694 |
| Other income | -- | 786 |
| Total revenue | 5,487,075 | 6,877,137 |
| Cost of services | (5,423,501) | (5,788,393) |
| Gross profit | 63,574 | 1,088,744 |
| Distribution costs | (309,647) | (247,434) |
| Administrative expenses | (1,672,296) | (633,677) |
| Total expenses | (1,981,943) | (881,111) |
| (Loss) Income from operations | (1,918,369) | 207,633 |
| Other income: | | |
| Interest received | 13,682 | 17,582 |
| Gain on dilution of interest in subsidiary | 2,483,871 | -- |
| Share of profit of associate | 7,539 | -- |
| Income before income taxes | 586,723 | 225,215 |
| Benefit for income taxes | 163,513 | 75,041 |
| Net income | 750,236 | $ 300,256 |
| Attributable to: | | |
| Equity holders of the company | 830,250 | 300,256 |
| Minority interest | (80,014) | -- |
| | 750,236 | 300,256 |
| Earnings per share - - basic and diluted | $ 0.005 | $ 0.002 |
| Weighted average number of common shares outstanding - - basic and diluted | 153,784,306 | 134,776,864 |

See accompanying notes to consolidated financial statements

F-3

<PAGE>

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(UNAUDITED)

| | PREFERRED STOCK | | COMMON STOCK | | | |
|---|---|---|---|---|---|---|
| | NUMBER OF SHARES | PAR VALUE ($0.001) | NUMBER OF SHARES | PAR VALUE ($0.001) | ADDITIONAL PAID-IN CAPITAL | SUBSCRIB COMMON STOCK |
| Balance at December 31, 2005 | -- | -- | 125,591,120 | $ 125,591 | $14,642,550 | $ 4,256,8 |
| Common stock issued for cash | -- | -- | 15,339,568 | 15,339 | 11,255,404 | |
| Common stock issued for services | -- | -- | 40,000 | 40 | 59,960 | |
| Subscribed common stock issued | -- | -- | 5,675,840 | 5,676 | 4,251,204 | (4,256,8 |
| Common stock issued in exchange for acquisition of film library | -- | -- | 6,992,000 | 6,992 | 8,733,008 | |
| Common stock subscribed for services (420,000 shares) | -- | -- | -- | -- | -- | 189,0 |
| Net income | -- | -- | -- | -- | -- | |
| Change in fair value of equity securities available for sale, net of tax | -- | -- | -- | -- | -- | |
| Comprehensive income | -- | -- | | | | |
| Balance at December 31, 2006 | -- | -- | 153,638,528 | $ 153,638 | $38,942,126 | $ 189,0 |

(CONTIN



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(CONTINUED FROM PREVIOUS PAGE)

| ACCUMULATED OTHER COMPREHENSIVE INCOME | | | |
|---|---|---|---|
| CURRENCY TRANSLATION RESERVE | FAIR VALUE RESERVE | MINORITY INTEREST | TOTAL SHAREHOLDERS' EQUITY |

| | | | | |
|---|---|---|---|---|
| Balance at December 31, 2005 | $ 12,927 | $ -- | $ -- | $19,872,327 |
| Common stock issued for cash | -- | -- | -- | 11,270,743 |
| Common stock issued for services | -- | -- | -- | 60,000 |
| Subscribed common stock issued | -- | -- | -- | -- |
| Common stock issued in exchange for acquisition of film library | -- | -- | -- | 8,740,000 |
| Common stock subscribed for services (420,000 shares) | -- | -- | -- | 189,000 |
| Net income | -- | -- | -- | 1,250,529 |
| Change in fair value of equity securities available for sale, net of tax | -- | 3,664,647 | -- | 3,664,647 |
| Comprehensive income | | | -- | 4,915,176 |
| Balance at December 31, 2006 | $ 12,927 | $ 3,664,647 | $ -- | $45,047,246 |

See accompanying notes to consolidated financial statements



<PAGE>

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INC
(UNAUDITED)

| | PREFERRED STOCK | | COMMON STOCK | | |
|---|---|---|---|---|---|
| | NUMBER OF SHARES | PAR VALUE ($0.001) | NUMBER OF SHARES | PAR VALUE ($0.001) | ADDITIONAL PAID-IN CAPITAL |
| Balance at December 31, 2006 | -- | -- | 153,638,528 | $ 153,638 | $ 38,942,126 |
| Subscribed common Stock issued | -- | -- | 420,000 | 420 | 188,580 |
| Common stock issued for services | -- | -- | 40,000 | 40 | 59,960 |

| | | | | | |
|---|---|---|---|---|---|
| Contribution from minority interest | -- | -- | -- | -- | -- |
| Gain on dilution of interest in subsidiary | -- | -- | -- | -- | -- |
| Net income | -- | -- | -- | -- | -- |
| Change in fair value equity securities available for sale, net of tax | -- | -- | -- | -- | -- |
| Comprehensive income | -- | -- | | | |
| | -- | -- | 154,098,528 | $ 154,098 | $ 39,190,666 |



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(CONTINUED FROM PREVIOUS PAGE)

| | ACCUMULATED OTHER COMPREHENSIVE INCOME | | | |
|---|---|---|---|---|
| | CURRENCY TRANSLATION RESERVE | FAIR VALUE RESERVE | MINORITY INTEREST | TOTAL SHAREHOLDERS' EQUITY |
| Balance at December 31, 2006 | $ 12,927 | $ 3,664,647 | $ -- | $ 45,047,246 |
| Subscribed common Stock issued | -- | -- | -- | -- |
| Common stock issued for services | -- | -- | -- | 60,000 |
| Contribution from minority interest | -- | -- | 5,580,000 | 5,580,000 |
| Gain on dilution of interest in subsidiary | -- | -- | (2,483,871) | (2,483,871) |
| Net income | -- | -- | (80,014) | 750,236 |
| Change in fair value equity securities available for sale, net of tax | -- | 2,229,053 | -- | 2,229,053 |
| Comprehensive income | | | -- | 2,979,289 |
| | $ 12,927 | $ 5,893,700 | $ 3,016,115 | $ 51,182,664 |

See accompanying notes to consolidated financial statements

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AMARU, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | FOR THE THREE MONTHS ENDE | |
|---|---|---|
| | March 31, 2007 | March 31, 2 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 750,236 | $ 300,2 |
| Share of profit of associate | (7,539) | |
| Adjustments to reconcile net income to cash and cash equivalents used or provided by operations: | | |
| Amortization | 803,881 | 151,6 |
| Depreciation | 113,655 | 36,0 |
| Acquisition of investment in exchange for account receivable | (1,700,000) | |
| Gain on dilution of interest in subsidiary | (2,483,871) | |
| Common stock issued for services | 60,000 | |
| Changes in operation assets and liabilities | | |
| Accounts receivables | 1,693,403 | (143,6 |
| Inventories | 71,672 | |
| Other receivables | 30,841 | (71,3 |
| Others current assets | (17,707) | (99,1 |
| Accounts payable and accrued expenses | (191,455) | 5,7 |
| Other payables | 105,784 | |
| Income tax payable | (163,513) | |
| Net cash (used in) generated from operating activities | (934,613) | 179,5 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of equipment | (164,531) | (42,3 |
| Deposit paid for an investment | -- | (1,052,6 |
| Acquisition of investment available for sale | -- | (130,0 |
| Acquisition of intangible assets | (1,018,033) | (3,089,0 |
| Net cash used in by investing activities | (1,182,564) | (4,314,0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of balances due to related party | -- | (58,3 |
| Proceeds from issuance of common stock | -- | 4,611,7 |
| Capital contributed by minority shareholders | 5,580,000 | |
| Net cash provided by financing activities | 5,580,000 | 4,553,3 |
| Effect of exchange rate changes on cash and cash equivalents | -- | |
| Cash flows from all activities | 3,462,823 | 418,8 |
| Cash and cash equivalents at beginning of period | 2,294,984 | 4,776,8 |
| Cash and cash equivalents at end of period | $ 5,757,807 | $ 5,195,6 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES: | | |
| Acquisition of investments (1) | $ 1,700,000 | $ |

(1) On February 15, 2007, the Company through its subsidiary, M2B World Asia Pacific Pte. Ltd. subscribed for additional 4% interest in an investment for $1.7 million in exchange for the settlement of an investment for $1.7 million in exchange for the settlement of an accounts receivable from the investee company.

See accompanying notes to consolidated financial statements



</TABLE>

<PAGE>

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006

1. BASIS OF PRESENTATION

1.1 Description of Business

Amaru, Inc. (the Company) through its subsidiaries under the M2B brand is in the Broadband Media Entertainment business, and a provider of interactive Entertainment-on-demand, Education-on-demand and E-commerce streaming over Broadband channels, Internet portals and Third-Generation (3G) devices globally. It has launched multiple Broadband TV and integrated shopping websites with over 100 channels of content designed and programmed to target specific viewer profiles and lifestyles of local and international audiences. The Company controls substantial content libraries for aggregation, distribution and syndication on Broadband and other media, sourced from Hollywood and major content providers around the world.

The Company's business strategy is to be a diversified media company specializing in the interactive media industry, using the latest broadband, E-Commerce and communications technologies and access to international content and programming.

The Company's goal is to provide on-line entertainment and education on-demand on Broadband channels, Internet portals and 3G devices across the globe; for specific and identified viewer lifestyles, demographics and interests; and to tie the viewing experience to an on-line shopping experience. This is to enable two leisure activities to be rolled into one for the ultimate convenience and reaching out to a global viewing audience.

1.2 Basis of Presentation

The financial statements included herein are unaudited. However, such information reflects all adjustments (consisting solely of normal occurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The results of operations for the three months ended March 31, 2007, are not necessarily indicative of the results to be expected for the full year.

The accompanying financial statements do not include footnote and certain financial presentation normally required under generally accepted accounting principles, and, therefore, should be read in conjunction with the company's Annual report on Form 10-KSB for the year ended December 31, 2006.

1.3 Recent Accounting Standards and Pronouncements

In 2006, the FASB issued Interpretation No. 48 (FIN 48), " Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 Accounting for Income Taxes." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007, as required.

The current Company policy classifies any interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as selling, general and administrative expense. There were no interest or selling, general and administrative expenses accrued or recognized related to income taxes for the three months ended March 31, 2007. The Company has not taken a tax position that would have a material effect 31 March, 2007 or during the prior three years applicable under FIN 48. It is determined not to be reasonably possible for the amounts of unrecognized tax benefits to significantly increase or decrease within 12 months of the adoption of FIN 48. The Company is currently subject to a three year statute of limitations by major tax jurisdictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Principles of Consolidation

The consolidated financial statements include the financial statements of Amaru, Inc. and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities as defined by FASB Interpretation No. 46 (R) Consolidation of Variable Interest Entities ("FIN 46R") and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with FIN 46(R).



<PAGE>



### 2.2 Use of Estimates

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include carrying amount of property and equipment, intangibles, valuation allowances of receivables and inventories. Actual results could differ from those estimates.

Management has not made any subjective or complex judgments the application of which would result in any material differences in reported results.

### 2.3 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to cash and subject to insignificant risk of changes in value.

Cash in banks and short-term deposits are held to maturity and are carried at cost. For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

2.4 Trade Accounts Receivable

Trade accounts receivable, which generally have 30 to 90 day terms, are recorded at the invoiced amount less an allowance for any uncollectible amounts (if any) and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debts are written off as incurred. The Company does not have any off-balance sheet credit exposure related to its customers.

The Company's primary exposure to credit risk arises through its trade accounts receivable. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Licensing and advertising revenues were concentrated with Nil customers totalling 0% of these related revenues for the three months ended March 31, 2007 and three customers totaling 100.0% of these related revenues for the three months ended March 31, 2006.

The Company's operations are conducted over the world wide web and some purchases are made from locations outside of Singapore.

| | FOR THE THREE MONTHS ENDED | |
|---|---|---|
| | MARCH 31, 2007 | MARCH 31, 2006 |
| Sales outside of the U.S. | $ 5,487,030 | $ 6,877,137 |
| Services purchased outside of the U.S. | $ 5,393,399 | $ 5,773,846 |

2.5 Inventories

Inventories are carried at the lower of cost or and net realizable value. Cost is calculated using first-in, first-out ("FIFO") method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.6 Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statement of income of the respective period. The estimated useful lives of the assets range from 3 to 5 years.



<PAGE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006

2.7 Intangible Assets

Intangible assets consist of film library, gaming and software licence and product development costs. Intangible assets which were purchased and have indefinite lives are stated at cost less impairment losses and are tested for impairment at least annually in accordance with the provisions of FASB Statement No. 142, Goodwill and Other Intangible Assets.

Intangible assets which were purchased for a specific period are stated at cost less accumulated amortization and impairment losses. Such intangible assets are reviewed for impairment in accordance with FASB Statement No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. Such intangible assets are amortized over the period of the contract, which is two to 18 years.

Included in the gaming license are the rights to a digit games license in Cambodia. The license is for a minimum period of 18 years commencing from June 1, 2005, with an option to extend for a further 5 years or such other period as may be mutually agreed.

The Company capitalized the development and building cost related to the broad-band sites and infrastructure for the streaming system, most of which was developed in 2002 as product development costs. The Company projects that these development costs will be useful for up to five years before additional significant development needs to be done.

2.8 Associate

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

2.9 Investments

The Company classifies its investments in marketable equity and debt securities as "available-for-sale", "held to maturity" or "trading" at the time of purchase in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). There are no investments classified as trading or held-to-maturity as of March 31, 2007 and December 31, 2006.

Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, if any, reported as a component of other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary will result in an impairment, which is charged to earnings.

Available-for-sale securities that are not publicly traded or have resale restrictions greater than one year are accounted for at cost. The Company's cost method investments include companies involved in the broadband and entertainment industry. The Company uses available qualitative and quantitative information to evaluate all cost method investment impairments at least annually.



<PAGE>

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006

2.10 Valuation of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used, other than intangible assets with indefinite lives, when events or circumstances warrant such a review. No impairment losses were recorded for the three months ended March 31, 2007 and the year ended December 31, 2006.

2.11 Advances from Related Party

Advances from related party are unsecured, non-interest bearing and payable on demand.

2.12 Foreign Currency Translation

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into US dollars at foreign exchange rate ruling at that date. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the date of the transaction. Foreign currency transaction gains and losses are included in determining net income and were not significant.

2.13 Revenues

Subscription and related services revenues are recognized over the period that services are provided. Advertising and sponsorship revenues are recognized as the services are performed or when the goods are delivered. Licensing and content syndication revenue is recognized when the license period begins, and the contents are available for exploitation by customer, pursuant to the terms of the license agreement. Gaming revenue is recognized as earned net of winnings. E-commerce commissions are recognized as received. Broadband consulting services and on-line turnkey solutions revenue are recognized as earned.

2.14 Costs of Services

The cost of services pertaining to advertising and sponsorship revenue and subscription and related services are cost of bandwidth charges, channel design and alteration, copyright licensing, and hardware hosting and maintenance costs. The cost of services pertaining to E-commerce revenue is channel design and alteration, and hardware hosting and maintenance costs. The cost of services pertaining to gaming is for managing and operating the operations and gaming centers. All these costs are accounted for in the period its was incurred.

2.15 Income Taxes

Deferred income taxes are determined using the liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the statement of income of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

2.16 Earnings (Loss) Per Share

In February 1997, the Financial Accounting Standards Board (FASB) issued FAS No. 128 "Earnings Per Share" which requires the Company to present basic and diluted earnings per share, for all periods presented. The computation of earnings per common share (basic and diluted) is based on the weighted average number of shares actually outstanding during the period. The Company has no common stock equivalents, which would dilute earnings per share.

2.17 Financial Instruments

The carrying amounts for the Company's cash, other current assets, accounts payable, accrued expenses and other liabilities approximate their fair value.



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2.18 Advertising

The cost of advertising is expensed as incurred. For the three months ended March 31, 2007 and 2006, the Company incurred advertising expenses of $205,429 and $190,130 respectively.

2.19 Reclassifications

Certain amounts in the previous periods presented have been reclassified to conform to the current year financial statement presentation.

3. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with the related party and the effect of these on the basis determined between the party is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the period, the Group entered into the following transactions with the associate:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| Marketing | $ 42,216 | $ -- |

4. OTHER CURRENT ASSETS

Other current assets consist of the following:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| Prepayments | $ 193,893 | $ 177,278 |
| Deposits | 173,974 | 172,882 |
| Other receivables | 158,603 | 189,444 |
| | $ 526,470 | $ 539,604 |

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| Office equipment | $ 736,979 | $ 721,085 |
| Motor vehicle | 32,372 | 11,000 |
| Furniture, fixture and fittings | 583,036 | 556,069 |
| Set-top boxes | 365,979 | 265,681 |
| | 1,718,366 | 1,553,835 |
| Accumulated depreciation | (451,746) | (338,091) |
| | $ 1,266,620 | $ 1,215,744 |

Depreciation expense was $113,655 for the three months ended March 31, 2007 and $36,059 for the three months ended March 31, 2006.



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6. INTANGIBLE ASSETS

Intangible assets consist of the following:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| INDEFINITE LIVES | | |
| Film library | $ 17,683,099 | $ 17,674,378 |
| Software license | 2,420,227 | 2,420,227 |
| | 20,103,326 | 20,094,605 |
| DEFINITE USEFUL LIVES | | |
| Film library | 3,947,789 | 2,947,564 |
| Gaming license | 7,090,000 | 7,090,000 |
| Product development expenditures | 678,616 | 669,529 |
| | 11,716,405 | 10,707,093 |
| Accumulated amortization | (2,718,696) | (1,914,815) |
| | 8,997,709 | 8,792,278 |
| | $ 29,101,035 | $ 28,886,883 |

Amortization expense was $803,881 for the three months ended March 31, 2007 and $151,669 for the three months ended March 31, 2006.

7. ASSOCIATE

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| Cost of investment in associate | $ 4,900,000 | $ -- |
| Share of post-acquisition profit | 7,539 | -- |
| | $ 4,907,539 | $ -- |

Details of the Group's associate at March 31, 2007 are as follows:

| Place of Name of associate | Proportion of incorporation and operation | ownership interest | Principal activity |
|---|---|---|---|
| MARCH 31, 2007 | DECEMBER 31, 2006 | | |
| | | % | % |
| 121 View Corporation British Virgin (SEA) Ltd Islands | 29.9 | 25.0 | -- |

One of the directors of the Company has interests in the associated company.

Summarised financial information in respect of the Group's associate is set out below:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| Total assets | $ 9,381,105 | $ -- |
| Total liabilities | (22,108) | -- |
| Net assets | $ 9,358,997 | $ -- |

| | | |
|---|---|---|
| Group's share of associate's net assets | 2,798,340 | -- |
| Revenue | 64,451 | -- |
| Profit for the year | 26,855 | -- |
| Group's share of associate's profit for the year | 7,539 | -- |



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AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006

8. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale consist of the following:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| Quoted equity securities | $ 8,523,128 | $ 5,676,074 |
| Unquoted equity securities | 3,282,277 | 6,482,277 |
| | $11,805,405 | $ 12,158,351 |

The investments in quoted equity securities comprised of 36,428,571 common shares of Auston International Group Ltd (Auston). As of March 31, 2007, the market value of the shares was $0.23 (S$0.36).

The unquoted equity securities classified as available-for-sale, with a carrying value of $3,282,277 and $6,482,277 as of March 31, 2007 and December 31, 2006, respectively, are measured at cost less impairment losses as there is no quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate.

The Company explores other alternatives and considers using other valuation Techniques to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties. However, as the key investments held by the Company operate in Singapore, there are no established markets in Singapore for similar investments for the Company to obtain comparables and observable data to carry out a reliable fair valuation.

9. COMMITMENTS

As of the balance sheet date, the Group has the following capital commitments:

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| CAPITAL COMMITMENTS: | | |
| Contracted but not provided for | | |
| Film library | $ 471,124 | $ 4,254,372 |
| Set-top boxes | 2,562,000 | 2,562,000 |
| Other equipments | 328,000 | -- |

| | | |
|---|---|---|
| | $ 3,361,124 | $ 6,816,372 |

The Company has several noncancelable operating leases, primarily for office spaces, that expire over the next five years.

As of March 31, 2006, the Company has commitments for future minimum lease payments under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) as follows:

| | OPERATING LEASES |
|---|---|
| Year ending December 31, | |
| 2007 | 226,744 |
| 2008 | 262,426 |
| 2009 | 178,675 |
| 2010 | 126,360 |
| 2011 | 80,504 |
| Total minimum lease payments | $ 874,709 |

Rent expense totaled $71,379 for the three months ended March 31, 2007 and $32,217 for the three months ended March 31, 2006.

10. CAPITAL STOCK

(a) Common stock issued for services

On March 19, 2007, the Company issued 40,000 shares of common stock in a private placement at a price of $1.50 per share for a total amount of $60,000 for services rendered to the Company.

(b) Common stock issued to employees

On December 20, 2006, 420,000 shares of common stock were approved for issuance at a price of $0.45 a share to its employees. These shares were issued on March 2, 2007 to the employees for their services to the Company pursuant to the Company's 2004 Equity Compensation Plan (the "Plan"). The shares of common stock issued to the employees pursuant to the Plan have been registered on the registration statement on Form S-8.

F-13

<PAGE>

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006

11. INCOME TAXES

The Company files separate tax returns for Singapore and the United States of America.

The Company had available approximately $4,847,587 of unused U.S. net operating loss carry-forwards at March 31, 2007, that may be applied against future taxable income. These net operating loss carry-forwards expire for U.S. income tax purposes beginning in 2026. There is no assurance the Company will realize the benefit of the net operating loss carry-forwards.

SFAS No. 109 requires a valuation allowance to be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. As of March 31, 2007 the Company maintained a valuation allowance for the U.S. deferred tax asset due to uncertainties as to the amount of the taxable income from U.S. operations that will be realized.

The Company had available approximately $950,091 of unused Singapore capital allowance carry-forwards at March 31, 2007, that may be applied against future Singapore taxable income indefinitely provided the company satisfies the shareholdings test for carry-forward of tax losses and capital allowances.

12. SEGMENT REPORTING

The Company classifies its business into reportable segments. The segments consists principally of entertainment and digit gaming. Information as to the operations of the Company in each of its business segments is set forth below based on the nature of the products and services offered.

The Company has provided a summary of operating income by segment. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies in Note 2.

<TABLE>
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2007

| | Entertainment | Digit Gaming | Other | Total |
|---|---|---|---|---|
| Revenues from external customers | $ 10,249 | $ 5,476,826 | $ -- | $ 5,487,075 |
| Interest revenue | $ 13,682 | $ -- | $ -- | $ 13,682 |
| Depreciation and amortization | $ 842,897 | $ 74,639 | $ -- | $ 917,536 |
| Segment profit (loss) | $ (1,842,101) | $ 64,275 | $ -- | $ (1,777,826) |
| Segment assets | $ 45,544,336 | $ 7,361,956 | $ 2,482,251 | $ 55,388,543 |
| Expenditures for segment assets | $ 1,182,564 | $ -- | $ -- | $ 1,182,564 |

Reconciliation :-

| | |
|---|---|
| REVENUES | |
| Total revenues for reportable segments | $ 5,487,075 |
| Other revenue | $ -- |
| Total consolidated revenues | $ 5,487,075 |
| INTEREST REVENUE | |
| Total interest revenue for reportable segments | $ 13,658 |
| Corporate interest revenue | $ 24 |
| Total consolidated interest revenue | $ 13,682 |
| PROFIT OR LOSS | |
| Total loss for reportable segments | $ (1,777,826) |
| Corporate expenses | $ (126,861) |
| Gain on dilution of interest in subsidiary | $ 2,483,871 |
| Share of profit of associate | $ 7,539 |
| Profit before income tax | $ 586,723 |
| ASSETS | |
| Total assets for reportable segments | $ 52,906,292 |
| Other assets | $ 2,482,251 |
| Total consolidated assets | $ 55,388,543 |
| EXPENDITURES FOR SEGMENT ASSETS | |
| Total expenditures for assets for reportable segments | $ 1,182,564 |

</TABLE>

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AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006

12. SEGMENT REPORTING (Cont'd)

<TABLE>
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| 2006 | Entertainment | Digit Gaming | Other | Total |
|---|---|---|---|---|
| Revenues from external customers | $ 1,002,657 | $ 5,873,694 | $ 786 | $ 6,877,137 |
| Interest revenue | $ 17,582 | $ | $ -- | $ 17,582 |
| Depreciation and amortization | $ 113,089 | $ 74,639 | $ -- | $ 187,728 |
| Segment profit | $ 212,922 | $ 82,977 | $ 786 | $ 296,685 |
| Segment assets | $ 14,843,096 | $ 6,530,580 | $ 4,230,562 | $ 25,604,238 |
| Expenditures for segment assets | $ 3,131,367 | $ -- | $ -- | $ 3,131,367 |

Reconciliation :-

| | |
|---|---|
| REVENUES | |
| Total revenues for reportable segments | $ 6,876,351 |
| Other revenue | $ 786 |
| Total consolidated revenues | $ 6,877,137 |
| INTEREST REVENUE | |
| Total interest revenue for reportable segments | $ 11,471 |
| Corporate interest revenue | $ 6,111 |
| Total consolidated interest revenue | $ 17,582 |
| PROFIT OR LOSS | |
| Total profit for reportable segments | $ 296,685 |
| Corporate expenses | $ (71,470) |
| Profit before income tax | $ 225,215 |
| ASSETS | |
| Total assets for reportable segments | $ 21,373,676 |
| Other assets | $ 4,230,562 |
| Total consolidated assets | $ 25,604,238 |
| EXPENDITURES FOR SEGMENT ASSETS | |
| Total expenditures for assets for reportable segments | $ 3,131,367 |

</TABLE>

Following table presents revenues earned from customers located in different geographic areas. Property and equipment is grouped by its location.

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| 2007 | ASIA PACIFIC | UNITED STATES | OTHER | TOTAL |
|---|---|---|---|---|
| Revenues from external customers | $ 5,487,030 | $ 45 | $ - | $ 5,487,075 |
| Property and equipment, net | $ 893,249 | $ 277,971 | $ 95,400 | $ 1,266,620 |

| 2006 | ASIA PACIFIC | UNITED STATES | OTHER | TOTAL |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Revenues from external customers | $ 6,877,137 | $ - | $ - | $ 6,877,137 |
| Property and equipment, net | $ 305,844 | $ 52,633 | $ 85,000 | $ 443,477 |

</TABLE>

13. SUBSEQUENT EVENTS

On April 20, 2007, M2B World Asia Pacific Pte. Ltd. subscribed for additional interest in an investee company for $66,000.

On April 23, 2007, M2B World Holdings Limited ("M2B World"), a British Virgin Islands corporation entered into a sale and purchase agreement (the "Agreement") with P T Agis TBK, a company incorporated in Indonesia ("Agis") to sell to Agis certain assets, including the domain name under which the IPTV business will operate in Indonesia and the transfer and license of IPTV platform (collectively, the "Assets"). M2B World is a wholly-owned subsidiary of M2B World Asia Pacific Pte Ltd. which is a 81.7% owned by Amaru Holdings Limited. Amaru Holdings Limited is a wholly-owned subsidiary of Amaru Inc., a Nevada corporation (the "Company"). Agis is trading on the Indonesia Stock Exchange. The Agreement provides for the consideration of US$15 million for the sale of the Assets based on the mutually agreed valuation of such Assets. Such consideration is to be provided through the issuance of 75 million of Agis shares at an agreed price of IDR 1300 per share, and such number of shares of a to be formed investment holding wholly-owned subsidiary of Agis that shall equal to 50% of beneficial holdings of such subsidiary. The sale is contemplated to be completed by June 30, 2007.

On April 23, 2007, a supplier filed a lawsuit against M2B World, Inc. for breach of contract for an amount of $72,649.



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On July 10, 2007, the Company entered into an share sale and purchase agreement (the "Agreement") by and between Tremax International Limited, a British Virgin Islands corporation and the Company's wholly-owned subsidiary (the "Purchaser") and Domaine Group Limited, a British Virgin Islands corporation (the "Vendor"), and a 100% beneficial owner of CBBN Holdings Limited ("CBBN Holdings"). CBBN Holdings is a 80% beneficial owner of Cosmactive Broadband Networks Co. Ltd ("CBN"). According to the terms of the Agreement, the Vendor shall sell, and the Purchaser or its nominee(s) shall purchase the shares held by Vendor in CBBN Holdings, in exchange for the issuance of 5,333,333 newly issued restricted shares of common stock of the Company. CBN is a company registered in Taiwan, the Republic of China. CBN is an internet cum broadband access provider to major residential buildings in Taiwan and has a subscriber base of about 20,000 homes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY THE COMPANY TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. PROSPECTIVE SHAREHOLDERS SHOULD UNDERSTAND THAT SEVERAL FACTORS GOVERN WHETHER ANY FORWARD - LOOKING STATEMENT CONTAINED HEREIN WILL BE OR CAN BE ACHIEVED. ANY ONE OF THOSE FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED HEREIN. THESE FORWARD - LOOKING STATEMENTS INCLUDE PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, INCLUDING PLANS AND OBJECTIVES RELATING TO THE PRODUCTS AND THE FUTURE ECONOMIC PERFORMANCE OF THE COMPANY. ASSUMPTIONS RELATING TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND THE TIME AND MONEY REQUIRED TO SUCCESSFULLY COMPLETE DEVELOPMENT PROJECTS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THOSE ASSUMPTIONS COULD PROVE INACCURATE AND, THEREFORE, THERE CAN BE NO ASSURANCE THAT THE RESULTS CONTEMPLATED IN ANY OF THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN WILL BE REALIZED. BASED ON ACTUAL EXPERIENCE

AND BUSINESS DEVELOPMENT, THE COMPANY MAY ALTER ITS MARKETING, CAPITAL EXPENDITURE PLANS OR OTHER BUDGETS, WHICH MAY IN TURN AFFECT THE COMPANY'S RESULTS OF OPERATIONS. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD - LOOKING STATEMENTS INCLUDED THEREIN, THE INCLUSION OF ANY SUCH STATEMENT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

General

M2B World is in the business of broadband entertainment and education-on-demand, streaming via computers, television sets, PDAs (Personal Digital Assistant) and the provision of broadband services. Its business includes channel and program sponsorship (advertising and branding); online subscriptions, channel/portal development (digital programming services); content aggregation and syndication, broadband consulting services, broadband hosting and streaming services and E-commerce.

The Company is also in the business of digit gaming (lottery). The Company has an 18 year license to conduct nation wide lottery in Cambodia. The Company through its subsidiary, M2B Commerce Limited, signed an agreement with Allsports Limited, a British Virgin Islands company to operate and conduct digit games in Cambodia and to manage the digit games activities in Cambodia.

The following discussion should be read in conjunction with selected financial data and the financial statements and notes to financial statements.

RESULTS OF OPERATIONS
- ---------------------

For the quarter ended March 31, 2007 compared with the quarter ended March 31, 2006

OVERVIEW

The key business focus of the Company is to establish itself as the leading provider and creator of a new generation Of Entertainment-on-Demand, Education-on-Demand and E-Commerce Channels on Broadband, and 3G (Third Generation) devices.

For the broadband, the Company delivers both wire and wireless solutions, streaming via computers, TV sets, PDAs and 3G hand phones.

At the same time the Company launches e-commerce channels (portals) that provide on-line shopping but with a difference, merging two leisure activities of shopping and entertainment. The entertainment channels are designed to drive and promote the shopping portals, and vice versa.

The Company's business model in the area of broadband entertainment includes both education on-demand and e-services, which would provide the Company with multiple streams of revenue. Such revenues would be derived from advertising and branding (channel and program sponsorship); on-line subscriptions; online games micro-payments; channel/portal development (digital programming services); content aggregation and syndication; broadband consulting services; on-line shopping turnkey solutions; broadband hosting and streaming services; E-commerce commissions and on-line dealerships; and digit games operations.

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Business Operations
- -------------------

Our principal operations are carried out through the following three segments of our business:

1. Entertainment Services - Video on-Demand services such as for entertainment and education, providing the Company with advertising, subscriptions, online games and e-commerce ( B2B and B2C) revenues
2. Digit Games

3. E-Travel Services - Online Travel Portal

1. Entertainment Services

The Company provides online entertainment and education on-demand on Broadband channels, Internet portals and 3G devices across the globe, for specific and identified viewer lifestyles, demographics and interests. Entertainment and web visit experience is maintained throughout from the initial viewing experience to on-line shopping and payment checkout experience.

The Company uses Broadband technology to provide its services. Broadband technology is defined as high speed, high-bandwidth, two-way data, voice and video communications, delivered at high transmission rates.

SERVICES: Broadband technology allows us to deliver the following services::

- Video-on-demand (VOD) services that enable individuals to select videos from a Central Server, on-demand 24 hours a day, 7 days a week, for viewing on:
  - Television screens (Set top Box Technology)
  - PCs (Digital Subscriber Line (DSL) Technology)
  - Personal Digital Assistants(PDA), 3G hand phones (Wireless Technology)
  - E-Commerce or online shopping - linked interactively to the VOD platforms on broadband. Consumers choose to buy products online as they watch the videos.

The Company applies broadband technologies to facilitate its growth in the broadband sector. Its main competitive advantage is derived from its ownership of rights for various territories on broadband for its contents i.e. movies and programs on lifestyles, education, business and glamour.

The Company has built and installed its broadband streaming system complete with firewalls, load balancing, bandwidth and consumer monitoring systems, which include video streaming, video storage and web servers in Singapore and the U.S. The Company has also developed its streaming applications to stream into television sets, via a set top box.

The Company has developed a capability to stream wireless broadband and have its own digitized entertainment sites for wireless broadband applications.

M2B offers consumers personalized entertainment through its wide range of broadband streaming channels available at WWW.M2BWORLD.COM.

PRODUCTS: We offer the following products on the VOD platform:

- Entertainment - Consumers access movies, music, glamour and fashion, lifestyle (hobbies, cooking, and personalities), documentaries, sports, health and fitness and others. They can choose from a large number of different channels depending on their interests or lifestyle preferences.
- Adult Education - consumers view program on management skills, communication skills, decision making, customer services and sales, motivation, presentation and writing skills, counseling and others.



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With this strategy, the Company generates diversified sources of revenue from:

1. Advertising i.e. program and channel sponsorship

2. Online subscriptions

3. Channel/portal development i.e. digital programming services

4. Content aggregation and syndication

5. Broadband consulting services and online shopping turnkey solutions

6. E-commerce services

7. Online games micro-payments

Currently, the M2B Broadband websites include:

1. Entertainment Sites

INTERNATIONAL AND U.S. SITES:

- Star78.com - an advertising-based Family Entertainment site for international viewers

- Shine8.com - an advertising-based Lifestyle site for international viewers

- Jump29.com - an advertising-based Young Adults site for international viewers

- Dreamstage7.com - an advertising and subscription-based Glamour and Fashion site for international viewers

- Highfashion7.com - an advertising and subscription based designer Fashion site for international viewers

- Dragon78.tv - an advertising and subscription-based Mandarin Entertainment site for viewers in US only

- Chinois78.com - an advertising and subscription based Mandarin Lifestyle site for viewers in US only

ASIAN SITES:

- Dimension88.com - an advertising and subscription-based Movie site in Singapore only

- Dragon78.com - an advertising and subscription-based Mandarin Entertainment site in Singapore only

- Ideas Broadband - four subscription based entertainment sites (Movie Mania, Executive Online, Glamour Galore, Dragon City providing 25 channels) dedicated for Singapore Telecommunications Ltd Ideas Broadband viewers in Singapore only

- Trilogy - a subscription based 3G mobile phone entertainment site dedicated for Singapore Telecommunications Trilogy viewers in Singapore only

- Colours78.com - an advertising and subscription based Mandarin Lifestyle site in Singapore only

2. Education Sites

U.S. SITES:

- Wiz5.us - an advertising and subscription-based Business & Corporate Training site for viewers in US only

ASIAN SITES:

o Wiz5.com - an advertising and subscription-based Business and Corporate Training site for viewers in Singapore only

3. E-Commerce Sites

INTERNATIONAL SITES:

o Starzmall.com - A One-Stop Shopping Paradise

o Royalhive.com - A One-Stop Health and Beauty Mall



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BROADBAND SERVICES

The Company has an automated Content Management System ("CMS") to enhance its advertising service offered to clients and to provide a new revenue source for the Company. The system allows for the programming of video, animation, streaming and flash content to multiple destinations and was demonstrated back in 2005 at the Asia Television Forum (ATF 2005), a regional platform for media buyers and sellers. As a sponsor at the event, M2B World showcased the automated CMS on plasma screens, together with programming from the M2B content library that includes movies, dramas, comedies, documentaries, music, fashion, lifestyle, learning and more.

Linked by broadband networks and wireless set-top boxes to push content and scheduled advertising at physical premises, the CMS allows businesses the option of presenting targeted content on selected video displays in multiple locations, such as on different levels of a shopping mall, in various spots within a restaurant or club or on separate elevators in the same building.

In store video panels can also carry individualized messages together with customized content to reach consumers and target audiences within the premises. The Company plans to further introduce this integrated CMS and content solution to U.S. clients in 2007. Businesses and advertisers can then readily offer customers feature-rich content with this versatile and easy-to-use CMS designed to advance brand-building activities and widen the advertising options for customer outreach. This integrated solution underscores M2B's key strength in delivering content for viewing on PCs, 3G mobile phones, PDAs as well as television screens. This is another method by which M2B is continuing to meet the consumer shift toward on-demand and personalized media experiences whether at home or work and now additionally on video screens in stores, restaurants, clubs and other business or leisure outlets.

DIGIT GAMES

The Company has an 18-year license to conduct nation wide lottery in Cambodia. The Company also signed an agreement with Allsports Limited, a British Virgin Islands company, to operate, administer, and manage the lottery digit games activities in Cambodia.

E-TRAVEL SERVICES

The Company's subsidiary, M2B World Travel Limited., signed a global agreement with Amadeus Global Travel Distribution, SA, a Spanish corporation. Through the agreement, M2B continues to offer direct access to the extensive range of travel options available through the Amadeus network to their viewers around the world. The agreement extends M2B's reach through its broadband streaming entertainment into the worldwide travel arena.

According to PhoCusWright, a travel industry research provider, the online portion of those sales is growing particularly quickly in the

U.S., Europe and the Asia-Pacific region, where combined online travel sales in those three geographic regions is estimated to top $115 billion this year. With eMarketer reporting that broadband currently reaches over 58 million households in Asia-Pacific alone, M2B World Travel Limited through its agreement with Amadeus, is now poised to immediately access and serve this consumer market.

The M2B World Travel Website aims to provide competitive rates through its direct connection to the Amadeus System using the Elleipsis TravelTalk(TM) integration platform, which allows M2B to access not only the major travel providers, but an expanded roster of additional suppliers such as low-cost carriers, cruise lines, and widened hotel distribution channels all through one single, easy-to-use platform.

The video e-travel portal brings an extensive range of travel options to our viewers and gives the Company an entry into the travel and tourism market; it directly aggregates travel solutions from 500 airlines, 58,000 hotel properties, some 42 car rental companies serving over 30,000 locations, as well as widespread air, ferry, rail, cruise, and tour operators with proprietary video content, allowing customers to the site to view their travel destination, thus influencing their purchasing decision.

The Company plans to launch the M2B travel site in 2007. No assurances can be made that such plan will materialize as planned.



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REVENUE

Revenue for the three months ended March 31, 2007 at $5,487,075 was lower than revenue of $6,877,137 for the three months ended March 31, 2006 by $1,390,062 (20.2%).

Entertainment revenue for the three months ended 31 March 2007 at $10,249 was lower than entertainment revenue of $1,002,657 for the three months ended March 31, 2006. The decrease in entertainment revenue by $992,408 was mainly due to the reorganization and redesigning of the broadband sites as a part of the restructuring of the Company.

Digit gaming revenue for the three months ended March 31, 2007 at $5,476,826 was lower than $5,873,694 at March 31, 2006 by $396,868 mainly due to more holidays in the first quarter of 2007 as compared to 2006.

COST OF SALES

Cost of sales for the three months ended March 31, 2007 was $5,423,501 which decreased by $364,892 (6.3%) from $5,788,393 for the three months ended March 31, 2006.

As a proportion of revenue, the cost of sales for the three months ended March 31, 2007 was 98.8% (cost of sales at $5,423,501 and revenue of $5,487,075) as compared to 84.2% for the three months ended March 31, 2006 (cost of sales at $5,788,393 and revenue at $6,877,137).

The decrease in cost of sales of $364,892 (6.3%) was mainly attributed to the cost of managing and operating the operations and game centers in Cambodia for the digit games (lottery).

DISTRIBUTION EXPENSES

Distribution expenses for the three months ended March 31, 2007 at $309,647 was higher by $62,213 (25.1%) as compared to the amount of $247,434 incurred for the three months ended March 31, 2006.

The higher distribution expenses was attributed to increased spending on the branding of the M2B brand, marketing and promoting the global Broadband TV which increased by $15,299 (8.0%) from $190,130 for the three months ended March 31, 2006 to $205,429 for the three months ended March 31, 2007.

GENERAL AND ADMINISTRATIVE EXPENSES

Administration expenses for the three months ended March 31, 2007 at $1,672,296 at was higher by $1,038,619 (163.9%) as compared to the amount of $633,677 incurred for the three months ended March 31, 2006.

The increase in administrative expenses were attributed mainly to the increase in:

- Staff costs. Staff costs had increased by $307,164 (152.7%) from $201,193 for the three months ended March 31, 2006 to $508,357 for the three months ended March 31, 2007 as a result of the increase in the number of professional employees hired to cater to the expanding and growing business; and

- Depreciation and license amortization. The increase in depreciation was attributed to the leasehold improvements for the expansion of the offices, and laptops provided to staff to cater to the demands of the growing business. The increase in license amortization came from the the movie contents which have a definite life. The amount increased by $729,808 (388.8%) from $187,728 for the three months ended March 31, 2006 to $917,536 for the three months ended March 31, 2007.

(LOSS) INCOME FROM OPERATIONS

The Company incurred a loss from operations of $1,918,369 for the three months ended 31 March 2007 as compared to the income from operations of $207,633 for the three months ended March 31, 2006 due to the significant reduction in entertainment business for the three months ended March 31, 2007.

NET INCOME

Net income for the three months ended March 31, 2007 was $750,236 which increased by $449,980 (149.9%) from $300,256 for the three months ended March 31, 2006.

The increase was mainly attributed to the gain on dilution of the Company's interest in a subsidiary, M2B World Asia Pacific Pte. Ltd. by issuing shares to the private investors at a premium. On January 3, 2007, M2B World Asia Pacific Pte. Ltd., issued 7,778,014 shares of common stock through a private placement at a price of $0.77 a share for a total amount of $6,000,000. This had effectively reduced the Company's effective equity interest in M2B World Asia Pacific Pte. Ltd. from 100% to 81.7%.



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LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at $5,757,807 at March 31, 2007 as compared to cash of $5,195,642 at March 31, 2006.

The Company does not finance its operations through short-term bank credit, long-term bank loans nor leasing arrangements with financial institutions as it believes that cash generated from its operations will be able to cover its daily running cost and overheads.

During the three months ended March 31, 2007, the Company had not entered into any transactions using derivative financial instruments or derivative commodity instruments. Accordingly the Company believes its exposure to market interest rate risk is not material.

Cash generated from operations will not be able to cover the company's intended growth and expansion. The Company has plans in 2007 to expand its broadband coverage by launching new broadband sites in Asia Pacific region and Australia. No assurances an be made that such plans will be carried out in a timely manner.

In North America, the Company had launched new broadband entertainment and business training content sites in 2006. A new server farm had been built in the US to handle the North American business and the global Broadband TV service

The Company is continuing to raise additional funds through its private placement of its subsidiary's securities to fund its business expansion, however no assurances can be made that the Company will raise sufficient funds as planned.

NEW CONTRACTS

On January 15, 2007, the Company through its subsidiary, Amaru Holdings Limited (Amaru Holdings), a British Virgin Islands corporation, entered into a sale and purchase agreement together with other sellers (the "Agreement") with Auston International Group Ltd., a Singapore company (Auston) to sell to Auston its majority owned subsidiary, M2B World Asia Pacific Pte Ltd., together with its subsidiary, M2B World Holdings Limited (collectively, M2B Asia). Auston is a company trading on the Singapore Stock Exchange. The Agreement provides for the sale of 42,459,978 shares of M2B World Asia Pacific Pte. Ltd., its total issued and outstanding capital. As the consideration for M2B World Asia Pacific Pte. Ltd. shares, Auston agreed to issue a total of 660 million new ordinary shares of Auston to M2B World Asia Pacific Pte. Ltd. shareholders. The Auston shares are valued at S$0.25 per share.

The Agreement is subject to certain conditions precedent, including, but not limited to the shareholder approval of the transaction by Auston shareholders, the approval of the Singapore Stock Exchange and other related regulatory approvals of both parties.

Amaru Holdings is required to deliver a valuation report by an independent auditor to Auston confirming that the value of the assets of M2B World Asia Pacific Pte. Ltd. is no less than that of the amount of consideration to be paid by Auston.



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ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ABILITY TO EXPAND CUSTOMER BASE

The Company's future operating results depend on our ability to expand our customer base for broadband services and e-commerce portals. An increase in total revenue depends on our ability to increase the number of broadband and e-commerce portals, in the US, Europe and Asia. The degree of success of this depends on

- our efforts to establish independent broadband sites in countries where conditions are suitable.

- our ability to expand our offerings of content in entertainment and education, to include more niche channels and offerings.

- our ability to provide content beyond just personal computers but to encompass television, wireless application devices and 3G hand phones.

ABILITY TO ACQUIRE NEW MEDIA CONTENTS

The continued ability of the Company to acquire rights to new media contents, at competitive rates, is crucial to grow and sustain the Company's business.

AVAILABILITY OF TECHNOLOGICALLY RELIABLE NEW GENERATION OF BROADBAND DEVICES

The growth of demand for broadband services is dependent on the wide availability of technologically reliable new generation of broadband devices, at affordable prices to prospective customers of broadband services. The early and widespread availability and market adoption of new generation broadband devices, will significantly impact demand for broadband services and the growth of the Company's business.

CAPITAL INVESTMENT IN BROADBAND INFRASTRUCTURE BY GOVERNMENT AND TELCOS

The growth of demand for broadband services is dependent on the capital investment in broadband infrastructure by governments and Telcos. A significant source of demand for the Company's broadband services could be from homes and enterprises with access to high-speed broadband connections. The ability of countries to invest in public broadband infrastructure to offer public accessibility is subject to countries' economic health. The Company's prospects for business growth in Asia especially would be impacted by overall economic conditions in the territories that we seek to expand into.

COMPETITION FROM BROADBAND CABLE AND TV NETWORKS OPERATORS

The competition of services provided by broadband cable network operators and TV networks. As traditional TV networks and cable TV operators provide alternate supply of entertainment and on-demand broadband services, they are in competition with the Company, for market share. The Company, nevertheless, will continue to leverage on its advantage of ownership rights to its own portfolio of media content and its ability to provide broadband services over both the cable and wireless networks, at competitive rates.

The Company's business is reliant on complex information technology systems and networks. Any significant system or network disruption could have a material adverse impact on our operations and operating results. The Company's nature of business is highly dependent on the efficient and uninterrupted operation of complex information technology systems networks, may they, either be that of ours, or our Telco/ ISP partners.

All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to computer viruses, security breach, energy blackouts, natural disasters and terrorism, war and telecommunication failures.

System or network disruptions may arise if new systems or upgrades are defective or are not installed properly. The Company has implemented various measures to manage our risks related to system and network disruptions, but a system failure or security breach could negatively impact our operations and financial results.



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LAW AND REGULATIONS GOVERNING INTERNET

Increased regulation of the Internet or differing application of existing laws might slow the growth of the use of the Internet and online services, which could decrease demand for our services. The added complexity of the law may lead to higher compliance costs resulting in higher costs of doing business.

UNAUTHORIZED USE OF PROPRIETARY RIGHTS

Our copyrights, patents, trademarks, including our rights to certain domain names are very important to M2B's brand and success. While we make every effort to protect and stop unauthorized use of our proprietary rights, it may still be possible for third parties to obtain and use the intellectual property without authorization. The validity, enforceability and scope of protection of intellectual property in Internet-related industries remain uncertain and still evolving.

Litigation may be necessary in future to enforce these intellectual property rights. This will result in substantial costs and diversion of the Company's resources and could disrupt its business, as well as have a material adverse effect on its business.

LAW AND REGULATIONS GOVERNING BUSINESS

As the Company continues to expand its business internationally across different geographical locations there are risks inherent including:

1) Trade barriers and changes in trade regulations
2) Local labor laws and regulations
3) Currency exchange rate fluctuations
4) Political, social or economic unrest
5) Potential adverse tax regulation
6) Changes in governmental regulations

OUTBREAK OF BIRD FLU PANDEMIC OR SIMILAR PUBLIC HEALTH DEVELOPMENTS

Any future outbreak of the bird flu pandemic or similar adverse public health developments may have a material adverse effect on the Company's business operations, financial condition and results of operations.

ITEM 4: CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation was conducted under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedure were effective as of March 31, 2007.. There has been no change in the company's internal control over financial reporting that occurred during the quarter ended March 31, 2007, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's annual report on Form 10-KSB for the year ended December 31, 2006 did not include (nor does this quarterly report on Form 10-Q include) an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report in the annual report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in the annual report.



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PART 2:

ITEM 1: LEGAL PROCEEDINGS

On April 23, 2007, a supplier filed a lawsuit against M2B World, Inc. for breach of contract for an amount of $72,649.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended March 31, 2007, the Company issued 40,000 shares of common stock through its private placement of shares of common stock at a purchase price of $1.50 per share for a total amount of $60,000 to "accredited investors", as that term is defined in Regulation D of the Securities Act of 1933.

The shares of the Company's common stock were issued and sold in reliance upon the exemption provided by Section 4(2) and/or Regulation D/Regulation S of the Securities Act of 1933.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5: OTHER INFORMATION

None



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ITEM 6: EXHIBITS:

A - Exhibits:

| | |
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| Exhibit 31 | CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT |
| Exhibit 32 | CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(b) OF THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT |



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Amaru, Inc.
---------------------------------------
(Registrant)

| | |
|---|---|
| July 31, 2007 | /s/ Colin Binny |
| - ----------------- | ----------------------------------------- |
| Date | President, CEO & CFO |

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Exhibit 31

I, Colin Binny, certify that:

1. I have reviewed this report on Form 10-Q of the Amaru, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designated such internal control over financial reporting, or caused such internal control over financial reporting to be designated under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2007

/s/ Colin Binny
- -------------------------
Chief Financial Officer



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Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

In connection with the Quarterly Report of Amaru, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2007 as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods reflected therein.

/s/ Colin Binny
- -------------------------------------
President, CEO & CFO
July 31, 2007



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-----END PRIVACY-ENHANCED MESSAGE-----